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Senate Bill 342 (Substitute S-1 as reported by the Committee of the Whole)  
Senate Bill 343 (Substitute S-2 as reported by the Committee of the Whole)  
Sponsor: Senator John Pappageorge  
Committee: Banking and Financial Institutions

## **CONTENT**

The bills would amend separate statutes to prohibit a person from inducing or coercing an appraiser in order to receive a predetermined appraisal, and prohibit an appraiser from developing and communicating an appraisal that was the result of conditions set by a client or intended user in order to receive a predetermined appraised value.

Senate Bill 342 (S-1) would amend Article 26 (Real Estate Appraisers) of the Occupational Code to establish a misdemeanor penalty for a licensed appraiser who, in violation of standards adopted under Article 26, developed and communicated an appraisal used as an investment or as collateral for a loan in a real estate-related financial transaction, by developing and communicating that appraisal as a result of the client's or intended user's doing either or both of the following:

- Setting preconditions on the outcome of the appraisal as a prerequisite for being selected to develop and communicate an appraisal or for obtaining future appraisal work.
- Representing or implying that payment for the development and communication of the appraisal was predicated upon attaining a desired minimum appraised value.

A licensee who violated this prohibition would be guilty of a misdemeanor punishable by a maximum fine of \$15,000 or imprisonment for up to one year, or both.

Senate Bill 343 (S-2) would amend the Secondary Mortgage Loan Act, which makes it a misdemeanor, punishable by a maximum fine of \$5,000 or imprisonment for up to three years, or both, for a person willfully or intentionally to engage in the business of making secondary mortgage loans without a license. Under the bill, the maximum fine would be \$15,000 and the maximum term of imprisonment would be one year, and the penalty would apply to a person who willfully or intentionally coerced or induced a real estate appraiser to inflate the value of real property used as collateral for a secondary mortgage loan, including by doing either of the following:

- Representing or implying that a real estate appraiser would not be selected to conduct an appraisal of the real property or selected for future appraisal work unless the appraiser agreed in advance to a value, range of values, or minimum value for the real property.
- Representing or implying that a real estate appraiser would not be paid for an appraisal unless the appraiser agreed in advance to a value, range of values, or minimum value for the real property.

Currently, a person who violates the Act or counsels, aids, or abets in a violation also is liable for a maximum civil fine of \$1,000 for each offense. Under the bill, the person would

be liable for a maximum civil fine of \$3,000 per violation, but not more than \$10,000 for a transaction resulting in more than one violation, plus the costs of investigation.

The bills are tie-barred to each other and to Senate Bill 356, which would similarly amend the Mortgage Brokers, Lenders, and Servicers Licensing Act.

MCL 339.2635 (S.B. 342)  
493.77 (S.B. 343)

Legislative Analyst: Craig Laurie

### **FISCAL IMPACT**

The bills would have an indeterminate fiscal impact on State and local government. There are no data to indicate how many offenders would be convicted of the proposed offenses. Local governments would incur the costs of misdemeanor probation and incarceration in local facilities, which vary by county. To the extent that the bills resulted in decreased sentences to prison, the State would incur decreased costs of incarceration in State facilities, at an average annual saving of \$31,000. Additional penal fine revenue would benefit public libraries.

Date Completed: 5-1-07

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.